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NARDA
NATIONAL ASSOCIATION
RETAIL DEALERS
OF AMERICA

NASD
NATIONAL ASSOCIATION
OF SERVICE DEALERS
a division of NARDA

48th annual

Costs of Doing Business Survey

COVERING THE YEAR 1988

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ANNUAL COSTS OF DOING BUSINESS SURVEY

CONTENTS

Introduction 3

Profit and Loss Statements

Appliance/Electronics Sales and Service - Under $1 Million
Appliance/Electronics Sales and Service - $1-3 Million
Appliance/Electronics Sales and Service - Over $1 Million
Appliance/Electronics Sales and Service - All Volumes 7

Appliance/Electronics Sales - Under $1 Million
Appliance/Electronics Sales - $1-3 Million
Appliance/Electronics Sales - Over $3 Million
Appliance/Electronics Sales - All Volumes 8

Appliance Sales and Service - Under $1 Million
Appliance Sales and Service - Over $1 Million
Appliance Sales and Service - All Volumes
Appliance Sales - All Volumes 9

Electronics Sales and Service - Under $1 Million
Electronics Sales and Service - Over $1 Million
Electronics Sales and Service - All Volumes
Electronics Sales - All Volumes 10

Appliance/Electronics/Furniture Sales and Service - All Volumes
Appliance/Electronics/Furniture Sales - All Volumes
Electronics Service Only - All Volumes
Appliance Service Only - All Volumes 12

Business Profiles

Appliance/Electronics Sales and Service - Under $1 Million
Appliance/Electronics Sales and Service - $1-3 Million
Appliance/Electronics Sales and Service - Over $1 Million
Appliance/Electronics Sales and Service - All Volumes 13

Appliance/Electronics Sales - Under $1 Million
Appliance/Electronics Sales - $1-3 Million
Appliance/Electronics Sales - Over $3 Million
Appliance/Electronics Sales - All Volumes 14

Appliance Sales and Service - Under $1 Million
Appliance Sales and Service - Over $1 Million
Appliance Sales and Service - All Volumes
Appliance Sales - All Volumes 15

Electronics Sales and Service - Under $1 Million
Electronics Sales and Service - Over $1 Million
Electronics Sales and Service - All Volumes
Electronics Sales - All Volumes 16

Appliance/Electronics/Furniture Sales and Service - All Volumes
Appliance/Electronics/Furniture Sales - All Volumes
Electronics Service Only - All Volumes
Appliance Service Only - All Volumes 17

Explanation of Key Ratios 18

ANNUAL COSTS OF DOING BUSINESS SURVEY

This is the 48th annual Costs of Doing Business Survey publisheded by NARDA. It covers the year 1988.

The charts on the following two pages, and on page 12, will give you an "industry-at-a-glance" overview of comparative operating results. The first section of the Survey provides the averages obtained from participants' profit and loss statements. The second section of the Survey, beginning on page 13, provides statistics profiling the "average" business with various volume levels and product mixes.

While all categories reported sales increases except *appliance/electronics sales and service,* the one-half percent decrease in that category was significant because it was the first sales decrease reported for an entire category in four years.

Generally, sales increases were smaller than in 1987, except for the furniture business. *Appliance sales and service* and *electronics sales and service* companies reported net income increases in 1988. These were two out of the three categories which also showed a margin increase. The companies who reported for this operating year in those obviously benefited from concentrating their efforts on one line of business.

For those looking through these reports for more profit opportunities, one of the truly interesting statistics to follow is the comparison of labor gross margins of service companies to the same margins for sales and service companies. Service only companies typically average around the sixty percent mark while those in the sales and service business rarely reach fifty percent.

Obviously companies which are both in sales and service can find more profit from service by learning something from their service company brethern. Also, anyone not selling extended service agreements, or not closing a significant percentage of agreement sales with retail customers, is missing an opportunity to add substantially to bottom-line dollars.

Once again, the report shows the key operating ratios for each line of business and volume category where sufficient data was provided by the respondents to give valid statistics. An explanation of how these key ratios are determined and their significance as a management tool are given on page 18.

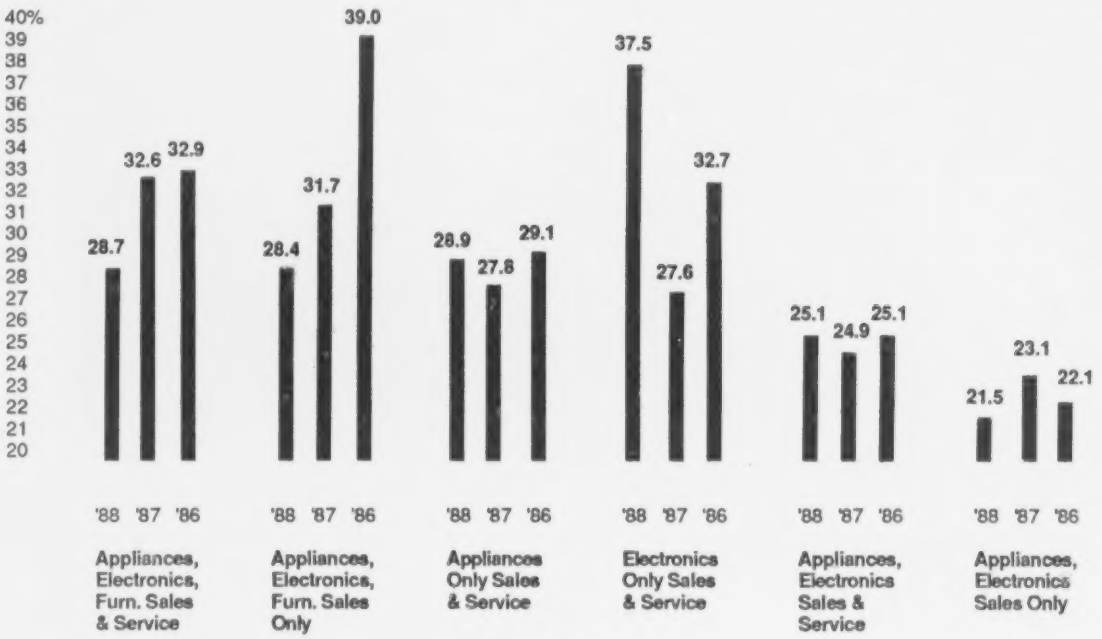
To the dealer using this report to compare his or her numbers with industry averages, keep in mind that the averages in this report are based on a range of dealerships from the most profitable to the least profitable and those in between. The averages are not industry standards or goals. They are indicators of how the mathematically "average" dealership performs.

If your business is substantially above or below average in any area you should re-examine your goals, management philosophy and results to make sure that your company is performing according to your standards and to determine how you can improve that performance.

NARDA can help with a variety of member services ranging from in-store consultations to seminars on all aspects of retail and service management, plus low group rates on business necessities such as insurance, retirement programs and bank card discounts. For more information, call 708-953-8950.

Overall Gross Margins

(All volumes)



Gross Margin Breakdown

(All volumes)

	Merchandise sales			Service Contract sales			Service Labor sales			Parts sales		
	1988	1987	1986	1988	1987	1986	1988	1987	1986	1988	1987	1986
Appl/Elec. sales & service	22.3	22.4	24.3	74.9	77.1	73.0	41.9	40.9	41.1	34.4	34.6	35.4
Appl./Elec. sales only	22.1	21.8	21.4	67.5	72.9	64.0	---	---	---	---	---	---
Appliances sales & service	25.9	23.6	28.3	41.2	86.1	82.1	42.2	47.9	51.9	33.2	37.6	34.6
Electronics sales & service	29.5	24.0	31.3	92.0	75.0	71.0	51.3	40.1	41.0	18.0	41.3	43.9
Electronics sales only	33.6	32.6	29.0	98.3	68.9	60.8	---	---	---	---	---	---
Appl./Elec./Furn. sales & service	27.8	30.0	33.4	84.5	87.5	53.7	20.7	49.2	26.0	17.0	42.2	37.3
Appl./Elec./Furn. sales only	28.1	31.6	39.6	78.9	51.4	91.3	---	---	---	---	---	---
Electronics service only	---	---	---	55.3	67.9	NA	59.2	56.7	66.2	44.3	30.2	27.1
Appliance service only	---	---	---	58.4	67.6	NA	63.4	61.9	60.7	35.6	39.2	42.3

Selected Operating Expenses as a percent of total sales
(All volumes)

	ADVERTISING and promotion; net, after co-op.				SALES COMPENSATION salaries and/or commission				OCCUPANCY COSTS rent or building depreciation			
	'88	'87	'86	'85	'88	'87	'86	'85	'88	'87	'86	'85
Appl./Elec. sales & service	2.99	3.15	3.29	2.20	4.17	4.47	4.37	5.27	2.16	2.11	1.86	1.61
Appl./Elec. sales only	2.80	3.79	3.91	4.58	4.62	4.65	4.29	5.01	1.70	2.15	1.67	1.05
Appliances sales & service	3.77	2.99	2.67	3.15	2.89	2.90	3.23	2.55	2.60	2.47	2.52	1.85
Electronics sales & service	2.87	3.15	5.56	4.51	6.83	4.43	5.86	6.31	3.75	2.25	2.53	2.58
Appl./Elec./Furn. sales & service	3.50	3.51	5.39	4.30	5.54	5.59	5.08	5.82	2.68	2.53	2.96	2.70
Appl./Elec./Furn. sales only	4.55	3.60	3.96	5.13	5.43	4.24	6.58	4.21	2.52	2.41	3.11	1.50

Sales Volume - Inventory Turns - Net Profits
(All volumes)

	Sales volume increase (%) compared to previous year			Number of Inventory Turns not including parts			Net Profit (percent) before taxes		
	'88	'87	'86	'88	'87	'86	'88	'87	'86
Appliance/electronics sales and service	- 0.5	11.7	06.8	3.9	4.2	3.8	1.09	1.60	1.74
Appliance/electronics sales only	15.4	26.6	14.1	3.9	4.3	5.9	.61	1.23	2.15
Appliances sales & service	11.2	18.5	03.6	4.4	5.2	3.9	1.20	.76	2.70
Electronics sales & service	01.3	13.6	15.7	3.4	3.5	3.6	2.65	1.96	.94
Appl./Elec./Furn. sales & service	07.2	05.3	00.6	3.1	2.7	2.8	1.58	1.66	3.27
Appl./Elec./Furn. sales only	07.4	02.6	12.9	4.8	3.9	6.3	1.75	4.26	8.54

PROFIT & LOSS STATEMENT

	Appl./Electronics Sales & Service Under $1 Million		Appl.Electronics Sales & Service $1 - 3 Million		Appl./Electronics Sales & Service Over $3 Million		Appl./Electronics Sales & Service All Volumes	
NET SALES		100.00		100.00		100.00		100.00
Merchandise Sales	100		100		100		100	
Labor Sales	100		100		100		100	
Parts Sales	100		100		100		100	
Service Contract Sales	100		100		100		100	
COST OF SALES		76.64		73.55		75.56		74.93
Cost of Merchandise	76.98		76.99		78.10		77.71	
Cost of Labor	87.81		53.69		59.94		58.13	
Cost of Parts	61.90		65.07		67.43		65.65	
Cost of Service Contract Sales	28.40		39.89		21.79		25.12	
GROSS MARGIN		23.36		26.45		24.44		25.07
TOTAL OPERATING COSTS		21.62		26.46		24.38		24.99
Owner and Manager Salaries	4.88		3.89		2.72		3.20	
Office Salaries	1.59		1.77		2.08		1.96	
Sales Salaries	2.21		4.14		4.30		4.17	
Delivery Wages	.75		1.49		1.16		1.26	
Other Payroll	.21		.72		1.08		.93	
Employee Benefits	.19		.26		.53		.42	
Payroll Taxes	1.29		1.46		1.08		1.21	
Insurance - Group Life & Health	.86		.79		.55		.64	
Insurance - Property & Liability	.89		.93		.66		.76	
Rent or Building Depreciation	1.77		2.59		1.95		2.16	
Utilities	.72		.68		.41		.51	
Telephone	.33		.38		.35		.36	
Yellow Page Advertising	.25		.37		.08		.19	
Other Advertising & Promotion	1.43		2.35		3.13		2.80	
Vehicle lease and/or expense	1.07		.74		.44		.57	
Equipment lease and/or expense	.10		.14		.06		.09	
Depreciation	.73		1.01		.87		.91	
Licenses & Taxes	.37		.35		.43		.40	
Supplies	.68		.71		.52		.59	
Professional Fees	.34		.37		.24		.29	
Travel & Training Expense	.09		.26		.16		.19	
Miscellaneous Expense	.87		1.06		1.58		1.38	
NET OPERATING PROFIT		1.74		- .01		.06		.08
OTHER INCOME		.95		2.12		2.09		2.05
Interest Income	.32		.32		.24		.27	
Supplier Rebates	.26		.98		1.09		1.02	
Other	.37		.82		.76		.76	
TOTAL INCOME		2.69		2.11		2.15		2.13
OTHER EXPENSE		1.43		1.39		.83		1.04
Interest Paid	1.41		1.12		.69		.86	
Other	.02		.27		.14		.18	
TOTAL NET PROFIT BEFORE TAXES		1.26		.72		1.32		1.09
TOTAL FEDERAL & STATE TAXES	.24		.14		.45		.34	
NET INCOME		1.02		.58		.87		.75

PROFIT & LOSS STATEMENT

	Appl./Electronics Sales Under $1 Million		Appl./Electronics Sales $1 - 3 Million		Appl./Electronics Sales Over $3 Million		Appl./Electronics Sales All Volumes	
NET SALES		100.00		100.00		100.00		100.00
Merchandise Sales	100		100		100		100	
Labor Sales	100		100		100		100	
Parts Sales	100		100		100		100	
Service Contract Sales	100		100		100		100	
COST OF SALES		70.87		77.19		79.18		78.43
Cost of Merchandise	71.52		77.89		78.43		77.90	
Cost of Labor	00.00		00.00		00.00		00.00	
Cost of Parts	00.00		00.00		00.00		00.00	
Cost of Service Contract Sales	48.38		40.03		29.74		32.46	
GROSS MARGIN		29.13		22.81		20.82		21.57
TOTAL OPERATING COSTS		25.19		24.06		20.13		21.12
Owner and Manager Salaries	5.06		2.62		2.02		2.27	
Office Salaries	1.46		1.64		1.44		1.48	
Sales Salaries	2.87		4.36		4.79		4.62	
Delivery Wages	.23		.63		1.74		1.46	
Other Payroll	1.13		.82		.45		.55	
Employee Benefits	.57		.68		.19		.30	
Payroll Taxes	1.18		1.14		.93		.98	
Insurance - Group Life & Health	.57		1.00		.36		.50	
Insurance - Property & Liability	1.53		.37		.52		.54	
Rent or Building Depreciation	1.16		2.58		1.51		1.70	
Utilities	.65		.38		.58		.55	
Telephone	.50		.41		.32		.34	
Yellow Page Advertising	.02		.08		.05		.06	
Other Advertising & Promotion	2.55		3.51		2.56		2.74	
Vehicle lease and/or expense	1.02		.32		.51		.50	
Equipment lease and/or expense	.13		.36		.17		.21	
Depreciation	.91		.81		.34		.45	
Licenses & Taxes	.54		.26		.19		.22	
Supplies	.75		.51		.40		.43	
Professional Fees	.23		.75		.19		.30	
Travel & Training Expense	.28		.18		.25		.24	
Miscellaneous Expense	1.85		.65		.62		.68	
NET OPERATING PROFIT		3.94		-1.25		.69		.45
OTHER INCOME		2.17		5.27		1.34		2.14
Interest Income	.14		2.10		.08		.47	
Supplier Rebates	.24		1.13		1.03		1.02	
Other	1.79		2.04		.23		.65	
TOTAL INCOME		6.11		4.02		2.03		2.59
OTHER EXPENSE		3.91		5.75		.92		1.98
Interest Paid	2.71		1.71		.77		1.04	
Other	1.20		4.04		.15		.94	
TOTAL NET PROFIT BEFORE TAXES		2.20		-1.73		1.11		.61
TOTAL FEDERAL & STATE TAXES	.37		.25		.31		.30	
NET INCOME		1.83		-1.98		.80		.31

PROFIT & LOSS STATEMENT

	Appliance Sales & Service Under $1 Million		Appliance Sales & Service Over $1 Million		Appliance Sales & Service All Volumes		Appliance Sales All Volumes	
NET SALES		100.00		100.00		100.00		100.00
Merchandise Sales	100		100		100		100	
Labor Sales	100		100		100		100	
Parts Sales	100		100		100		100	
Service Contract Sales	100		100		100		100	
COST OF SALES		69.83		71.34		71.02		75.44
Cost of Merchandise	74.11		74.08		74.09		75.01	
Cost of Labor	53.88		58.59		57.80		00.00	
Cost of Parts	60.57		68.99		66.81		00.00	
Cost of Service Contract Sales	37.84		62.34		58.82		40.37	
GROSS MARGIN		30.17		28.66		28.98		24.56
TOTAL OPERATING COSTS		27.73		28.24		28.14		23.66
Owner and Manager Salaries	5.11		2.90		3.36		5.30	
Office Salaries	2.10		3.03		2.83		1.21	
Sales Salaries	1.88		3.15		2.89		3.08	
Delivery Wages	1.49		2.06		1.94		1.80	
Other Payroll	.75		.81		.80		.68	
Employee Benefits	.22		.25		.24		.27	
Payroll Taxes	1.39		.92		1.02		.87	
Insurance - Group Life & Health	.87		.56		.63		.48	
Insurance - Property & Liability	1.17		1.22		1.21		.77	
Rent or Building Depreciation	2.73		2.57		2.60		1.94	
Utilities	.75		.50		.56		.63	
Telephone	.56		.40		.43		.37	
Yellow Page Advertising	.56		1.83		1.56		.21	
Other Advertising & Promotion	2.06		2.25		2.21		2.47	
Vehicle lease and/or expense	1.55		1.65		1.63		.59	
Equipment lease and/or expense	.22		.39		.36		.34	
Depreciation	1.15		.86		.92		.50	
Licenses & Taxes	.36		.39		.38		.69	
Supplies	.96		.66		.73		.42	
Professional Fees	.40		.40		.40		.27	
Travel & Training Expense	.26		.11		.14		.14	
Miscellaneous Expense	1.19		1.33		1.30		.63	
NET OPERATING PROFIT		2.44		.42		.84		.90
OTHER INCOME		1.00		1.42		1.34		1.78
Interest Income	.27		.22		.23		.31	
Supplier Rebates	.25		.62		.55		.79	
Other	.48		.58		.56		.68	
TOTAL INCOME		3.44		1.84		2.18		2.68
OTHER EXPENSE		1.57		.82		.98		1.11
Interest Paid	1.30		.65		.79		.82	
Other	.27		.17		.19		.29	
TOTAL NET PROFIT BEFORE TAXES		1.87		1.02		1.20		1.57
TOTAL FEDERAL & STATE TAXES	.45		.52		.50		.35	
NET INCOME		1.42		.50		.70		1.22

PROFIT & LOSS STATEMENT

	Electronics Sales & Service Under $1 Million		Electronics Sales & Service Over $1 Million		Electronics Sales & Service All Volumes		Electronics Sales All Volumes	
NET SALES		100.00		100.00		100.00		100.00
Merchandise Sales	100		100		100		100	
Labor Sales	100		100		100		100	
Parts Sales	100		100		100		100	
Service Contract Sales	100		100		100		100	
COST OF SALES		69.74		60.73		62.46		66.78
Cost of Merchandise	77.83		68.27		70.51		66.36	
Cost of Labor	46.70		50.18		48.71		00.00	
Cost of Parts	72.84		88.87		81.97		00.00	
Cost of Service Contract Sales	23.10		7.08		8.04		1.66	
GROSS MARGIN		30.26		39.27		37.54		33.22
TOTAL OPERATING COSTS		25.79		36.32		34.30		34.41
Owner and Manager Salaries	3.52		4.33		4.17		4.80	
Office Salaries	2.53		2.65		2.62		1.75	
Sales Salaries	3.28		7.67		6.83		7.89	
Delivery Wages	.82		.18		.31		.00	
Other Payroll	.68		3.51		2.97		.06	
Employee Benefits	.32		.36		.36		.33	
Payroll Taxes	1.81		1.78		1.78		1.14	
Insurance - Group Life & Health	.60		.69		.67		.54	
Insurance - Property & Liability	1.16		.88		.94		1.08	
Rent or Building Depreciation	2.05		4.15		3.75		6.36	
Utilities	.99		.68		.74		.49	
Telephone	.47		.61		.58		.49	
Yellow Page Advertising	.59		.33		.38		.20	
Other Advertising & Promotion	2.16		2.57		2.49		1.86	
Vehicle lease and/or expense	1.04		.99		1.00		.34	
Equipment lease and/or expense	.14		.30		.27		.04	
Depreciation	1.04		1.48		1.39		1.56	
Licenses & Taxes	.46		.24		.28		.29	
Supplies	.68		.60		.61		.56	
Professional Fees	.31		.40		.39		.55	
Travel & Training Expense	.14		.59		.51		.34	
Miscellaneous Expense	1.00		1.33		1.26		3.74	
NET OPERATING PROFIT		4.47		2.95		3.24		-1.19
OTHER INCOME		.45		1.56		1.35		2.13
Interest Income	.06		.33		.28		.16	
Supplier Rebates	.02		.57		.46		.73	
Other	.37		.66		.61		1.24	
TOTAL INCOME		4.92		4.51		4.59		.94
OTHER EXPENSE		1.11		2.14		1.94		.63
Interest Paid	1.05		1.29		1.24		.49	
Other	.06		.85		.70		.14	
TOTAL NET PROFIT BEFORE TAXES		3.81		2.37		2.65		.31
TOTAL FEDERAL & STATE TAXES	1.52		.45		.65		.23	
NET INCOME		2.29		1.92		2.00		.08

PROFIT & LOSS STATEMENT

	Appl./Elec./Furn. Sales & Service All Volumes		Appl./Elec./Furn. Sales All Volumes		Electronics Service Only All Volumes		Appliance Service Only All Volumes	
NET SALES		100.00		100.00		100.00		100.00
Merchandise Sales	100		100		100		100	
Labor Sales	100		100		100		100	
Parts Sales	100		100		100		100	
Service Contract Sales	100		100		100		100	
COST OF SALES		71.24		71.59		44.67		46.07
Cost of Merchandise	72.17		71.90		00.00		00.00	
Cost of Labor	79.28		00.00		40.82		36.57	
Cost of Parts	83.06		00.00		55.69		64.41	
Cost of Service Contract Sales	15.55		21.10		44.68		41.62	
GROSS MARGIN		28.76		28.41		55.33		53.93
TOTAL OPERATING COSTS		28.46		28.15		48.58		50.90
Owner and Manager Salaries	3.84		2.73		7.46		8.62	
Office Salaries	1.42		2.07		9.93		7.98	
Sales Salaries	5.54		5.43		1.29		.93	
Delivery Wages	1.57		1.47		.13		.00	
Other Payroll	1.00		1.30		2.06		2.25	
Employee Benefits	.83		.60		.25		.56	
Payroll Taxes	1.40		1.05		4.42		3.42	
Insurance - Group Life & Health	.45		.44		2.17		3.09	
Insurance - Property & Liability	.63		.74		1.84		2.97	
Rent or Building Depreciation	2.68		2.52		4.53		3.96	
Utilities	.64		.62		1.32		.88	
Telephone	.36		.21		1.58		1.39	
Yellow Page Advertising	.08		.08		2.56		3.74	
Other Advertising & Promotion	3.42		4.47		.79		1.00	
Vehicle lease and/or expense	.64		.64		1.19		3.30	
Equipment lease and/or expense	.16		.11		.45		.46	
Depreciation	1.11		.91		1.76		1.93	
Licenses & Taxes	.69		.22		.33		.37	
Supplies	.81		.90		1.15		1.87	
Professional Fees	.24		.35		.69		.53	
Travel & Training Expense	.18		.20		.69		.42	
Miscellaneous Expense	.77		1.09		1.99		1.23	
NET OPERATING PROFIT		.30		.26		6.75		3.03
OTHER INCOME		2.87		2.07		.26		.77
Interest Income	.46		.86		.10		.32	
Supplier Rebates	1.71		.51		.05		.01	
Other	.70		.70		.11		.44	
TOTAL INCOME		3.17		2.33		7.01		3.80
OTHER EXPENSE		1.59		.58		.39		1.45
Interest Paid	1.25		.52		.38		.82	
Other	.34		.06		.01		.63	
TOTAL NET PROFIT BEFORE TAXES		1.58		1.75		6.62		2.35
TOTAL FEDERAL & STATE TAXES	.31		.52		.84		.35	
NET INCOME		1.27		1.23		5.78		2.00

Net return on investment (All volumes)

	1988	1987
Appliance, Electronics sales and service	**11.3%**	13.7%
Appliance, Electronics sales	**21.9%**	17.7%
Appliance sales and service	**11.4%**	09.8%
Appliance sales	**12.1%**	25.2%
Electronics sales and service	**13.0%**	16.4%
Electronics sales	**29.6%**	11.8%
Appliance, Electronics, Furniture sales and service	**08.8%**	08.0%
Appliance, Electronics, Furniture sales	**11.4%**	37.2%
Electronics Service only	**43.9%**	17.2%
Appliance Service only	**23.4%**	12.8%

Sales per salesperson, per square foot
(All volumes)

	Annual sales per salesperson		Annual sales per square foot (selling space)	
	1988	*1987*	*1988*	*1987*
Appliance, Electronics sales and service	**485,302**	527,134	**340**	322
Appliance, Electronics sales	**427,090**	428,477	**514**	391
Appliance sales and service	**506,430**	490,156	**330**	361
Appliance sales	**515,388**	660,568	**256**	336
Electronics sales & service	**192,422**	429,313	**354**	447
Electronics sales	**229,578**	243,608	**294**	321
Appl./Elec./Furn. sales & service	**477,558**	401,561	**127**	103
Appl./Elec./Furn. sales	**392,835**	357,252	**142**	118

BUSINESS PROFILE

	Appl.-Elec. Sales & Serv. Under $1 Million	Appl.-Elec. Sales & Serv. $1-3 Million	Appl.-Elec. Sales & Serv. Over $3 Million	Appl.-Elec. Sales & Serv. All Volumes
PERSONNEL				
Owners/managers	22.1%	15.1%	09.4%	12.3%
Sales	21.2%	24.3%	24.4%	24.2%
Service	30.7%	25.2%	16.4%	20.6%
Office	16.3%	16.4%	20.6%	18.8%
Delivery	08.6%	15.6%	14.1%	14.4%
Other	02.0%	03.3%	14.9%	09.8%
Sales per employee	$ 99,572	$110,697	$149,485	$132,065
Sales per salesperson	$301,238	$383,161	$568,769	$485,302
COMPENSATION *salespeople*				
Salary only	55.5%	24.4%	00%	24.7%
Commission only	00%	24.4%	50.0%	25.8%
Salary & commission	38.8%	48.8%	40.9%	44.7%
Other	05.5%	02.2%	09.0%	04.7%
COMPENSATION *technicians*				
Salary only	78.5%	51.1%	57.1%	57.6%
Commission only	07.1%	25.5%	04.7%	16.6%
Salary & commission	14.2%	20.9%	19.0%	19.2%
Other	00%	02.3%	19.0%	06.4%
Average hourly technician wage	$8.94	$9.71	$10.06	$9.80
ADVERTISING *percent of budget used for*				
Newspaper	54.8%	60.1%	54.0%	57.4%
Television	02.6%	09.0%	18.5%	10.1%
Radio	17.0%	14.0%	17.0%	15.3%
Yellow pages	11.5%	12.3%	03.4%	10.0%
Direct mail	12.8%	04.2%	05.7%	06.4%
Other	01.2%	00.3%	01.3%	00.7%
SPACE *avg. sq. ft. per location*				
Sales	2008	3239	7736	4213
Office	294	415	1079	570
Service	650	915	1950	1137
Warehouse	1707	3242	6749	3895
Average number of locations	1.3	1.9	2.2	1.9
Average sales per sq. ft. selling space	$205	$255	$430	$340
Average sales per sq. ft. total space	$100	$121	$201	$159
MISCELLANEOUS				
% of dealers selling service contracts	70.5%	86.3%	100%	86.7%
% of service contracts self-funded	08.3%	25.6%	45.8%	29.3%
% with separate delivery department	11.7%	75.0%	90.9%	66.2%
% using service techs for delivery	64.7%	09.0%	22.7%	24.0%
% using outside delivery service	11.7%	00%	13.6%	06.0%
%charging extra for delivery	23.5%	27.2%	40.9%	30.1%
% charging a flat fee	75.0%	75.0%	55.5%	68.0%
average flat fee	$27.50	$23.06	$18.00	$22.35
% basing charge on size of item	08.3%	00%	06.6%	05.2%
% basing charge on distance	41.7%	70.0%	66.7%	58.3%
% basing charge on product	33.3%	20.0%	10.0%	21.9%
RATIOS				
Inventory turns - product	3.99	3.56	4.09	3.92
Inventory turns - parts	1.68	1.60	1.23	1.42
Current ratio	1.88 to 1	1.52 to 1	1.38 to 1	1.44 to 1
Quick assets ratio	0.57 to 1	0.45 to 1	0.34 to 1	0.38 to 1
Net return on investment	11.0%	10.1%	11.7%	11.3%

BUSINESS PROFILE

	Appl.-Elec. Sales Under $1 Million	Appl.-Elec. Sales $1-3 Million	Appl.-Elec. Sales Over $3 Million	Appl.-Elec. Sales Avg. All Volumes
PERSONNEL				
Owners/managers	34.7%	16.0%	12.1%	13.7%
Sales	15.3%	38.6%	38.1%	36.5%
Service	00%	00%	00%	00%
Office	15.3%	21.6%	19.7%	19.9%
Delivery	19.2%	12.4%	22.0%	19.3%
Other	15.4%	11.4%	08.1%	10.7%
Sales per employee	$ 94,948	$147,543	$209,097	$184,217
Sales per salesperson	$609,809	$381,196	$436,849	$427,090
COMPENSATION *salespeople*				
Salary only	50%	28.5%	42.8%	38.8%
Commission only	25%	42.8%	42.8%	38.8%
Salary & commission	25%	14.2%	14.3%	16.6%
Other	00%	14.2%	00%	05.7%
COMPENSATION *technicians*				
Salary only	00%	00%	00%	00%
Commission only	00%	00%	00%	00%
Salary & commission	00%	00%	00%	00%
Other	00%	00%	00%	00%
Average hourly technician wage	$	$	$	$
ADVERTISING *percent of budget used for*				
Newspaper	86.6%	81.1%	49.6%	71.0%
Television	00%	07.0%	06.8%	05.4%
Radio	05.0%	05.0%	06.0%	05.3%
Yellow pages	05.0%	02.5%	05.2%	04.0%
Direct mail	03.3%	04.3%	24.0%	11.1%
Other	00%	00%	08.4%	03.0%
SPACE *avg. sq. ft. per location*				
Sales	3350	4433	5053	4444
Office	305	478	1333	856
Service	0000	0000	0000	0000
Warehouse	3500	3889	6455	4970
Average number of locations	1.0	1.8	2.2	1.8
Average sales per sq. ft. selling space	$221	$263	$724	$514
Average sales per sq. ft. total space	$ 90	$134	$291	$221
MISCELLANEOUS				
% of dealers selling service contracts	75.0%	100%	100%	94.1%
% of service contracts self-funded	33.3%	00%	57.1%	31.2%
% with separate delivery department	00%	33.3%	85.7%	47.0%
% using service techs for delivery	25.0%	00%	00%	00%
% using outside delivery service	00%	16.6%	42.8%	23.5%
% charging extra for delivery	25.0%	33.3%	28.5%	23.5%
% charging a flat fee	00%	50.0%	50.0%	50.0%
average flat fee	$	$19.95	$20.00	$19.98
% basing charge on size of item	00%	00%	00%	00%
% basing charge on distance	100%	50.0%	50%	60%
% basing charge on product	00%	00%	00%	00%
RATIOS				
Inventory turns - product	2.22	3.73	4.13	3.97
Inventory turns - parts	0.00	0.00	0.00	0.00
Current ratio	1.06 to 1	1.20 to 1	1.05 to 1	1.08 to 1
Quick assets ratio	0.34 to 1	0.35 to 1	0.26 to 1	0.28 to 1
Net return on investment	72.8%	16.6%	19.8%	21.9%

BUSINESS PROFILE

	Appliance Sales & Serv. Under $1 Million	Appliance Sales & Serv. Over $1 Million	Appliance Sales & Serv. Avg. All Volumes	Appliance Sales Avg. All Volumes
PERSONNEL				
Owners/managers	19.3%	10.1%	12.6%	25.5%
Sales	14.4%	16.6%	16.0%	27.4%
Service	29.9%	30.5%	30.3%	00%
Office	15.6%	21.4%	19.7%	15.6%
Delivery	17.3%	15.9%	16.3%	23.6%
Other	03.6%	05.7%	05.2%	07.8%
Sales per employee	$ 85,779	$120,476	$110,554	$172,662
Sales per salesperson	$312,348	$573,937	$506,430	$515,388
COMPENSATION *salespeople*				
Salary only	53.8%	06.6%	36.5%	37.5%
Commission only	00%	40.0%	14.6%	25.0%
Salary & commission	38.4%	53.4%	43.9%	37.5%
Other	07.6%	00%	04.9%	00%
COMPENSATION *technicians*				
Salary only	52%	40.0%	47.5%	00%
Commission only	24%	33.3%	27.5%	00%
Salary & commission	24%	26.7%	25.0%	00%
Other	00%	00%	00%	00%
Average hourly technician wage	$9.50	$8.56	$8.82	$
ADVERTISING *percent of budget used for*				
Newspaper	48.6%	45.7%	47.7%	78.5%
Television	03.7%	13.4%	07.4%	05.1%
Radio	16.7%	15.0%	16.0%	03.1%
Yellow pages	20.3%	20.7%	20.4%	11.9%
Direct mail	07.0%	04.3%	06.0%	01.2%
Other	03.6%	00.9%	02.5%	00.1%
SPACE *avg. sq. ft. per location*				
Sales	2670	4129	3498	4318
Office	407	851	644	432
Service	1082	1201	1183	0000
Warehouse	2875	4751	3919	3943
Average number of locations	1.0	1.7	1.2	1.1
Average sales per sq. ft. selling space	$175	$439	$330	$256
Average sales per sq. ft. total space	$ 80	$204	$153	$126
MISCELLANEOUS				
% of dealers selling service contracts	65.3%	86.6%	73.1%	87.5%
% of service contracts self-funded	31.5%	50.0%	39.3%	00%
% with separate delivery department	26.9%	93.3%	51.2%	50.0%
% using service techs for delivery	61.5%	06.6%	41.4%	00%
% using outside delivery service	03.8%	00%	02.4%	12.5%
% charging extra for delivery	30.7%	33.3%	31.7%	25.0%
% charging a flat fee	62.5%	60.0%	61.5%	100%
average flat fee	$24.39	$18.32	$22.11	$22.50
% basing charge on size of item	00%	00%	00%	00%
% basing charge on distance	42%	50%	43%	00%
% basing charge on product	25%	00%	19%	00%
RATIOS				
Inventory turns - product	3.53	4.61	4.37	5.40
Inventory turns - parts	1.83	1.23	1.32	0.00
Current ratio	1.50 to 1	1.29 to 1	1.34 to 1	1.91 to 1
Quick assets ratio	0.49 to 1	0.35 to 1	0.38 to 1	0.56 to 1
Net return on investment	19.4%	07.4%	11.4%	12.1%

BUSINESS PROFILE

	Electronics Sales & Serv. Under $1 Million	Electronics Sales & Serv. Over $1 Million	Electronics Sales & Serv. Avg. All Volumes	Electronic Sales Avg. All Volumes
PERSONNEL				
Owners/managers	17.6%	13.0%	14.1%	20.7%
Sales	15.2%	38.2%	32.8%	48.1%
Service	43.0%	14.4%	21.1%	03.6%
Office	12.1%	13.0%	12.8%	10.4%
Delivery	09.8%	08.9%	09.1%	05.2%
Other	02.2%	12.6%	10.2%	12.0%
Sales per employee	$ 73,434	$101,964	$ 95,203	$119,152
Sales per salesperson	$277,666	$181,767	$192,422	$229,578
COMPENSATION *salespeople*				
Salary only	57.1%	07.2%	32.1%	50.0%
Commission only	07.1%	42.8%	25.0%	12.5%
Salary & commission	28.5%	50.0%	39.2%	25.0%
Other	07.1%	00%	03.5%	12.5%
COMPENSATION *technicians*				
Salary only	66.6%	64.2%	65.5%	50.0%
Commission only	13.3%	21.4%	17.2%	25.0%
Salary & commission	13.3%	14.3%	13.7%	00%
Other	06.6%	00%	03.4%	25.0%
Average hourly technician wage	$10.28	$8.25	$9.24	$15.00
ADVERTISING *percent of budget used for*				
Newspaper	50.3%	31.0%	40.7%	57%
Television	03.5%	04.1%	03.9%	02%
Radio	06.0%	25.6%	15.9%	21%
Yellow pages	35.1%	17.9%	26.4%	18%
Direct mail	03.5%	20.2%	11.8%	02%
Other	01.4%	01.1%	01.3%	00%
SPACE *avg. sq. ft. per location*				
Sales	1041	2485	1876	2754
Office	263	377	319	490
Service	1294	641	818	271
Warehouse	1070	1144	1056	1165
Average number of locations	1.2	2.7	2.0	1.1
Average sales per sq. ft. selling space	$313	$375	$364	$294
Average sales per sq. ft. total space	$125	$240	$207	$178
MISCELLANEOUS				
% of dealers selling service contracts	85.7%	76.9%	81.4%	57.1%
% of service contracts self-funded	16.6%	40.0%	27.2%	00%
% with separate delivery department	14.2%	42.8%	28.5%	00%
% using service techs for delivery	78.5%	28.5%	53.5%	28.5%
% using outside delivery service	00%	07.1%	03.5%	14.2%
% charging extra for delivery	35.7%	28.5%	32.1%	71.4%
% charging a flat fee	80.0%	75.0%	77.7%	60.0%
average flat fee	$22.36	$18.33	$20.64	$23.33
% basing charge on size of item	25.0%	00%	10.0%	00%
% basing charge on distance	25.0%	33.4%	30.0%	75.0%
% basing charge on product	00%	33.3%	20.0%	25.0%
RATIOS				
Inventory turns - product	3.96	3.34	3.41	3.70
Inventory turns - parts	1.45	1.49	1.48	1.21
Current ratio	1.81 to 1	1.54 to 1	1.57 to 1	1.43 to 1
Quick assets ratio	0.44 to 1	0.57 to 1	0.56 to 1	0.43 to 1
Net return on investment	15.2%	12.6%	13.0%	29.6%

BUSINESS PROFILE

	Appl.-Elec.-Furn. Sales & Serv. Avg. All Volumes	Appl.-Elec.-Furn. Sales Avg. All Volumes	Electronic Service Only All Volumes	Appliance Service Only All Volumes
PERSONNEL				
Owners/managers	14.5%	10.3%	12.7%	16.5%
Sales	23.1%	29.4%	00%	00%
Service	12.2%	00%	53.1%	43.0%
Office	15.4%	21.1%	24.3%	26.9%
Delivery	20.0%	27.6%	04.7%	00.6%
Other	14.8%	11.6%	05.2%	13.0%
Sales per employee	$119,858	$118,434	$26,815	$42,794
Sales per salesperson	$477,558	$392,835	$	$
COMPENSATION *salespeople*				
Salary only	25.0%	25.0%	00%	00%
Commission only	58.3%	08.3%	00%	00%
Salary & commission	16.6%	66.6%	00%	00%
Other	00%	00%	00%	00%
COMPENSATION *technicians*				
Salary only	58.3%	00%	20.0%	43.7%
Commission only	08.3%	00%	10.0%	25.0%
Salary & commission	16.7%	00%	40.0%	18.7%
Other	16.7%	00%	30.0%	12.5%
Average hourly technician wage	$9.00	$	$11.13	$11.22
ADVERTISING *percent of budget used for*				
Newspaper	48.0%	64.5%	23.0%	02.7%
Television	15.4%	05.0%	02.0%	00%
Radio	18.4%	15.6%	00%	02.6%
Yellow pages	03.0%	02.8%	62.8%	81.2%
Direct mail	04.1%	11.5%	09.1%	03.0%
Other	11.0%	00.5%	03.0%	10.4%
SPACE *avg. sq. ft. per location*				
Sales	15,961	15,924	0000	0000
Office	1,153	919	477	1049
Service	1,739	0000	1546	2017
Warehouse	7,973	10,947	464	2610
Average number of locations	1.9	1.5	1.7	1.1
Average sales per sq. ft. selling space	$127	$142	$	$
Average sales per sq. ft. total space	$ 80	$ 72	$129	$65
MISCELLANEOUS				
% of dealers selling service contracts	91.6%	100%	33.3%	47.0%
% of service contracts self-funded	27.2%	00%	33.3%	25.0%
% with separate delivery department	83.3%	33.3%	00%	00%
% using service techs for delivery	25.0%	08.3%	70.0%	52.9%
% using outside delivery service	00%	16.6%	40.0%	05.8%
% charging extra for delivery	41.6%	41.6%	60.0%	35.2%
% charging a flat fee	20.0%	60.0%	50.0%	33.3%
average flat fee	$20.00	$16.00	$33.67	$35.00
% basing charge on size of item	00%	08.0%	00%	37%
% basing charge on distance	70.0%	21.0%	75.0%	63%
% basing charge on product	30.0%	46.0%	25.0%	00%
RATIOS				
Inventory turns - product	3.09	4.8	0.00	0.00
Inventory turns - parts	1.33	0.00	3.3	2.52
Current ratio	1.76 to 1	2.02 to 1	2.54 to 1	1.48 to 1
Quick assets ratio	0.57 to 1	0.87 to 1	1.68 to 1	0.56 to 1
Net return on investment	08.8%	11.4%	43.9%	23.4%
Average Burden Ratio			122%	202%

EXPLANATION OF KEY RATIOS

CURRENT ASSETS RATIO

Current assets divided by current liabilities.

This ratio is probably one of the most used liquidity ratios. The current ratio is a measure of the most liquid assets (current assets) relative to the shortest maturity liabilities.

A high current ratio indicates high liquidity and less risk of financial trouble. Too high a ratio might indicate an unnecessary investment in current assets or a failure to collect receivables or a bloated inventory, all negatively affecting earnings. Too low a ratio implies low liquidity and potential for being unable to meet current liabilities. A good standard is 1.8 to 1, or above. That is, the business has $1.80 in current assets for every dollar it owes in current debts.

QUICK ASSETS RATIO

Current assets, minus inventory, divided by current liabilities.

This ratio shows the ability of a business to pay its debts without taking inventory into consideration. Bankers consider it to be a key ratio. 1 to 1 is acceptable. 0.5 to 1 or below shows that inventory makes up too large a portion of working capital and that the business could have trouble paying its debts.

INVENTORY TURNS

Cost of goods sold divided by the average inventory (beginning inventory, plus ending inventory, divided by 2).

Less than 4 turns indicates either a decline in sales or an over-inventoried position. Over 9 turns may indicate inventory is impractically low and unable to meet customer demand. Dealers should strive for 4 to 6 turns yearly, or two or three months of inventory.

NET RETURN ON INVESTMENT

Net profit (before taxes, and after owner's salary) divided by net worth.

This ratio indicates the yield on money invested in the business. If this percentage is less than current investment rates, consideration should be given to investing your capital in money market funds, certificates of deposit, government securities, etc.

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